

## Message Text

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ORIGIN EB-07

INFO OCT-01 NEA-10 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 XMB-02

IO-10 EUR-12 /115 R

DRAFTED BY EB/OT :CWSCHMIDT:JM

APPROVED BY EB/OT :CWSCHMIDT

COMMERCE:SARLINGHAUS (PHONE)

AGRICULTURE:JMCDONNELL (PHONE)

STR:HHENTGES (PHONE)

LABOR:JCOYLE (INFO)

TREASURY:JJOHNSON (INFO)

NEA/IAI:MSTERNBERG (SUBS)

----- 123376

R 060043Z SEP 75

FM SECSTATE WASHDC

TO AMEMBASSY TEL AVIV

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E.O. 11652: N/A

TAGS: ETRD, IS

SUBJECT: ISRAEL AND GSP: STATUS REPORT

REF: STATE 204915

1. INTERAGENCY GROUP MET ON AUGUST 29 WITH ISRAELI ECONOMIC COUNSELOR RAFF AND EVAN-ZOHAR TO PROVIDE RESPONSE TO MOST RECENT GOI PROPOSALS AS OUTLINED IN REFTEL.

2. U.S. SIDE EXPLAINED THAT SINCE GOI HAD EXPRESSED WILLINGNESS IN PRINCIPLE TO PROVIDE NOTE CONTAINING ASSURANCES REGARDING FUTURE TARIFF TREATMENT FOR MANU-  
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FACTURED TOBACCO (ITEM NO. 24.02.1000), ONLY TWO KEY POINTS REMAINED OUTSTANDING, ASSUMING AGREEMENT ON SPECIFIC LANGUAGE OF TOBACCO ASSURANCE. FIRST POINT WAS EXPRESSED INABILITY OF GOI TO INCLUDE MACHINE-MADE PAPER AND PAPER

BOARD (TARIFF NO. 48.019990) AT THIS TIME IN THE LIST OF ITEMS ON WHICH GOI AGREES TO REDUCE DUTIES ON MFN BASIS IN PARALLEL WITH REDUCTIONS TO BE MADE FOR THE EC. U.S. SIDE EXPLAINED THAT THIS ONE REMAINING ITEM IS SIGNIFICANT IN TERMS OF U.S. TRADE INTERESTS, WITH 4 MILLION DOLLAR EXPORTS TO ISRAEL IN 1974, AND THAT THIS IS A HIGH TARIFF ITEM. WHILE WE RECOGNIZE ISRAELI INDUSTRY MAY BE SENSITIVE TO TARIFF REDUCTIONS, IT SHOULD BE RECOGNIZED THAT U.S. PAPER INDUSTRY IS SENSITIVE AS WELL. U.S. PAPER INDUSTRY IS VERY COMPETITIVE WITH EUROPEAN INDUSTRY

AND THEREFORE IF AND WHEN EC INDUSTRY BEGINS TO RECEIVE BENEFIT OF REDUCED TARIFF, WE BELIEVE U.S. INDUSTRY SHOULD RECEIVE SAME BENEFIT. U.S. SIDE SUGGESTED THAT, IN LIGHT OF IMPORTANCE OF PAPER ITEM TO U.S. AND SENSITIVITIES ON ISRAELI SIDE, MATTER BE HANDLED IN SAME OR SIMILAR WAY AS TOBACCO BY MEANS OF GOI ASSURANCES IN A NOTE OR LETTER. U.S. SIDE GAVE RAFF SUGGESTED DRAFT TEXT OF NOTE, OPERATIVE PORTION OF WHICH STATES GOI "AGREES TO FAVORABLY CONSIDER THE INCLUSION OF ITEMS 24.02.1000 AND 48.019990" ON THE PRODUCT LIST "BEFORE JULY 1, 1977."

3. SECOND REMAINING ITEM, U.S. SIDE EXPLAINED, RELATED TO DROPPING OF SEVEN DIGIT AGGREGATION CRITERION WHICH HAD BEEN WORKED OUT DURING JUNE 24-27 CONSULTATIONS. AS U.S. SIDE HAD NOTED DURING TALK WITH RAFF IN JULY, WHILE WE ACCEPT THAT FOR TECHNICAL REASONS GOI UNABLE TO AGREE TO USE OF THIS CRITERION, ADDITIONAL CRITERION ORIGINALLY SET AT 400,000 DOLLARS SHOULD BE LOWERED TO RESTORE THE FULL EFFECT OF GOI ASSURANCES. WHILE RAFF HAD SUGGESTED LOWERING TO 375,000 DOLLARS AT LAST MEETING, U.S. NOW REQUESTS CRITERION BE SET AT 350,000 DOLLARS.

4. RAFF SAID HE ALREADY HAD REQUESTED INSTRUCTIONS REGARDING THE U.S. INTEREST IN MACHINE-MADE PAPER ITEM AND WOULD INFORM US AS SOON AS A RESPONSE WAS RECEIVED. LIMITED OFFICIAL USE  
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HE SAID HE WAS VERY PESSIMISTIC ABOUT REDUCING THE DOLLAR CRITERION FURTHER.

5. REGARDING TOBACCO, ISRAELI SIDE TENTATIVELY SUGGESTED GOI WOULD PROVIDE WRITTEN ASSURANCE OF "SYMPATHETIC CONSIDERATION DURING AGRICULTURAL CONSULTATIONS OF MUTUAL INTEREST" (WHICH SQUARES WITH WHAT KIRYATI TOLD EMBASSY-- TEL AVIV 5168, PARA. C.,. HOWEVER, RAFF COULD NOT ANSWER USDA REPRESENTATIVE'S QUESTIONS RE MEANING OF THIS PHRASE AND UNDERTOOK TO PROVIDE EXPLANATION. USDA REP STRESSED THAT U.S. HAD NO INTENTION OF OFFERING CONCESSIONS FOR THE TOBACCO ITEM.

6. COMMENT: REGARDING AMBASSADOR'S COMMENTS AND MEETING WITH MINISTER BAR-LEV, AS REPORTED TEL AVIV 5232, WE TOO HAD EXPECTED THAT MATTER WOULD HAVE BEEN SETTLED BY THIS TIME. IN ESSENCE, AS WE HAVE POINTED OUT TO ISRAELIS ON SEVERAL OCCASIONS, REMAINING POINTS INVOLVE WRAPPING UP THOSE LOOSE ENDS LEFT AT END OF THE JUNE 24-27 CONSULTATIONS, WHICH CONCERN SEVERAL SIGNIFICANT POINTS IN OUR VIEW. OUTSTANDING ISSUES HAVE BEEN NARROWED SINCE THEN AND WE NOW APPEAR QUITE CLOSE TO CONCLUSION. ASSUMING GOI

RESPONSE ON POINTS OUTLINED ABOVE IN NEAR FUTURE, WE ALSO HOPE MATTER WILL BE WELL OUT OF WAY BY TIME OF BAR-LEV'S VISIT. ROBINSON

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